

NSOROMA INSTITUTE PUBLIC SCHOOL ACADEMY
(A MICHIGAN PUBLIC SCHOOL ACADEMY)
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

NSOROMA INSTITUTE PUBLIC SCHOOL ACADEMY
(A MCIHGAN PUBLIC SCHOOL ACADEMY)

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GLEN OLIVACHÉ, CPA, P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Nsoroma Institute Public School Academy
Detroit, MI

We have audited the accompanying statement of financial statements of the governmental activities and each major fund of Nsoroma Institute Public School Academy (A Michigan Public School Academy) as of and for the year ended June 30, 2008, which collectively comprise the Nsoroma Institute Public School Academy's basic financial statement as listed in the table of contents. These financial statements are the responsibility of the Nsoroma Institute Public School Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Nsoroma Institute Public School Academy as of June 30, 2008 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated October 30, 2008 on our consideration of Nsoroma Institute Public School Academy's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreement. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Independent Auditor's Report

(Continued)

The management's discussion and analysis and budgetary comparison information (identified in the table of contents) are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

GL Oliveira, CPA, P.C.

Detroit, Michigan

October 30, 2008

NSOROMA INSTITUTE PUBLIC SCHOOL ACADEMY
(A MICHIGAN PUBLIC SCHOOL ACADEMY)
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

For the Fiscal year ended June 30, 2008

This section of Nsoroma Institute, a Michigan Public School Academy (the Academy) annual financial report presents discussion and analysis of the Academy's financial performance during the year ended June 30, 2008. It should be read in conjunction with the Academy's financial statements and accompanying notes to the financial statements.

The financial report is only one measure of the Academy's viability. The goal of the Academy is to provide services to students, not to generate profits as commercial entities do. Consideration should also be given to other non-financial factors, such as the quality of the education provided and safety of the schools, in the assessment of the overall health of a school district.

Government-Wide Financial Statements

The Government-wide financial statements provide information about the activities of the Academy as a whole, presenting both aggregate view of the Academy's finances and a long-term view of those finances. Government-wide statements are presented on a full accrual basis, which is the primary accounting method used in private industry. The Statement of Net Assets report all the Academy assets, regardless if they are available for current use or legally restricted, and all of its liabilities, both short-term and long-term. The Statement of Activities reports all of the Academy's revenues and expenses by type of activity.

Fund Financial Statements

The Academy segregates resources and activities in separate Funds (or entities); each used for a specific purpose, to facilitate accountability for those resources. The fund Financial Statements provides a detailed short-term view of the operations of the Academy's various fiscal components, not a long-term view of the Academy as a whole. It provides information to the amount of financial resources that can be spent in the near future to finance programs. The Academy has only one Governmental Fund – the General Fund. It is presented on the modified accrual basis of accounting. Only those assets that are measurable and currently available are reported. Liabilities are recognized to the extent that they can be paid using current financial resources. For further information on the attributes of the modified accrual basis and the full accrual basis of accounting, please refer to Note 1 – Summary of Significant Accounting Policies in the Notes to Financial Statements section of this report.

NSOROMA INSTITUTE PUBLIC SCHOOL ACADEMY
(A MICHIGAN PUBLIC SCHOOL ACADEMY)
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)

The Academy as a Whole

As discussed above, the Statement of Net Assets provides information of the Academy as a whole. Table 1 provides a summary of the Academy's net assets as of June 30, 2008 and 2007.

Table 1 – Summary of the Academy's Net Assets

	Governmental Activities	
	June 30	
	2008	2007
Assets	(In Thousands)	(In Thousands)
Current and other assets	\$ 308.3	\$ 369.7
Capital assets - net of accumulated depreciation	14.0	21.6
Total assets	322.3	391.3
Liabilities		
Current liabilities	179.8	259.5
Total liabilities	179.8	259.5
Net Assets		
Invested in capital assets - net of related debt	14.0	21.6
Unrestricted	128.5	110.2
Total net assets	\$ 142.5	\$ 131.8

Net assets at year end was \$142.5 thousand. The Academy investment in capital assets, net of related debt was \$14.0 thousand. The \$128.5 thousand in unrestricted net assets represents the cumulative operating results for the year ended June 30, 2008 and all prior years.

NSOROMA INSTITUTE PUBLIC SCHOOL ACADEMY
(A MICHIGAN PUBLIC SCHOOL ACADEMY)
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)

Table 1 – Summary of the Academy's Net Assets (Cont'd)

The Academy's net assets increased by \$10.6 thousand during the fiscal year ended June 30, 2008 (please refer to Table 2 below). The cost to operate the Academy's programs was \$1,576.5 thousand. Partially funding these programs was grant revenue totaling \$133.6 thousand. The remaining cost of the Academy programs were funded by general revenues, primarily state aid totaling \$1,453.4 thousand. The primary factors contributing to the \$10.6 thousand increase in net assets were the revenues in excess of expenditures in the General Fund.

Table 2 – Summary of the Statement of Activities

	Activities <u>(In Thousands)</u>
Revenues	
Program revenue:	\$ 133.6
General revenue:	
State foundation allowance	1,439.7
Other	<u>13.8</u>
Total revenues	<u>1,587.1</u>
Function/Program Expenses	
Instruction services	644.5
General administration services	106.5
School administration	135.0
Business services	344.6
Operations and maintenance	336.8
Unallocated depreciation	<u>9.1</u>
Total expenses	<u>1,576.5</u>
Increase in net assets	<u><u>\$ 10.6</u></u>

NSOROMA INSTITUTE PUBLIC SCHOOL ACADEMY
(A MICHIGAN PUBLIC SCHOOL ACADEMY)
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
(Continued)

Table 2 – Summary of the Statement of Activities (Cont'd)

Capital Assets

At June 30, 2008 the Academy had an investment in capital assets, net of accumulated depreciation, of \$14.0 thousand (please refer to Table 3 below). This amount includes furniture and equipment.

	<u>2008</u>	<u>2007</u>
	(In Thousands)	
Furniture & equipment	\$ 111.8	\$ 110.3
Total capital assets	111.8	110.3
Less: Accumulated depreciation	(97.8)	(88.7)
Net capital assets	<u>\$ 14.0</u>	<u>\$ 21.6</u>

The Academy's Funds

As mentioned above, the Academy uses Funds to segregate and account for resources and activities that are used for specific purposes. At June 30, 2008 the Academy Governmental Fund had a balance of \$128.5 thousand, an increase of \$18.2 thousand from June 30, 2007.

General Fund

The ending balance of the General Fund, the principal operating Fund of the Academy, increased \$18.2 thousand to \$128.5 thousand at June 30, 2008, up from \$110.3 thousand at June 30, 2007. The Academy also received additional revenues in the form of federal funds that totaled \$133.6 thousand.

NSOROMA INSTITUTE PUBLIC SCHOOL ACADEMY
(A MICHIGAN PUBLIC SCHOOL ACADEMY)
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

(Continued)

General Fund Budget Highlights

State law requires that school districts periodically amend their budgets to ensure that expenditures do not exceed appropriations. During the year, the Academy revised its budget in response to and/or in anticipation of changing operating conditions. The Academy had one budget amendment during the year that was approved by the Board of Directors in June 2008. (A schedule showing the Academy's original budget, final budget, and actual results for the General Fund is provided in the Required Supplemental Information section of these financial statements).

The majority of the Academy's revenue is based on student enrollment. For the fiscal year 2007-2008, it received \$7,475 per pupil from the State of Michigan. The original budget which was completed at end of the prior year reflected certain assumptions for enrollment, grant funding, staffing and other expenditures. The June 2008 amended (final) budget reflected actual enrollment based on the September 2007 official pupil count, which was less than originally projected, and a revised estimate of Federal approved grant funding. Operating expenditures based on the revised revenue estimate were updated accordingly.

Economic Factors Affecting Next Year's Budget

The Academy administration and Board of Directors (the "Board") consider many factors in the budget process. One of the most important factors affecting the budget is student enrollment. Nearly 90% of the Academy's revenue is derived from the State of Michigan's student enrollment based funding formula. The formula to allocate revenue to school districts is based on the blending of two official pupil counts and a per-pupil funding allocation (called the "Foundation Allowance"). The blended count for the fiscal year 2008-2009 is based on 25 percent of the February 2008 count plus 75 percent of the September 2008 count. The sum of these products is multiplied by the current Foundation Allowance of \$7,579.

The 2008-2009 budget was adopted in June 2008 based on an estimate of the number of students that will be enrolled in September 2008. Based on the September 2008 preliminary (unofficial) student count, it appears that the September student count will be below the estimated count used in the original 2008-2009 budget adopted by the Board. Administration and the Board will need to implement a plan to adjust expenses and amend the budget accordingly.

NSOROMA INSTITUTE PUBLIC SCHOOL ACADEMY
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MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

(Continued)

Economic Factors Affecting Next Year's Budget (Cont'd)

Under State law, the Academy cannot assess property taxes to fund general operations. As a result, the Academy revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The state periodically holds a revenue estimating conference to forecast revenues.

Contacting the District's Financial Management

Questions regarding this report should be directed to Malik Yakini, Director of the Academy at (313) 521-0400, or by mail at 20045 Joann, Detroit, Michigan 48205.

NSOROMA INSTITUTE PUBLIC SCHOOL ACADEMY
(A MICHIGAN PUBLIC SCHOOL ACADEMY)
STATEMENT OF NET ASSETS
JUNE 30, 2008

	<u>Governmental Activities</u>
 ASSETS	
Cash and cash equivalents	\$ 42,801
State Aid receivable	261,887
Other receivables	1,065
Prepaid expenses	2,539
Capital assets (net)	<u>14,004</u>
Total assets	<u>\$ 322,296</u>
 LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable	\$ 23,554
Purchased services payable	78,222
Accrued management fees	20,471
Oversight fees payable	12,124
Loan payable	<u>45,454</u>
Total liabilities	<u>\$ 179,825</u>
Net Assets	
Investment in capital assets, net of related debt	\$ 14,004
Unrestricted	<u>128,467</u>
Total net assets	<u>\$ 142,471</u>

See accompanying notes to financial statements.

NSOROMA INSTITUTE PUBLIC SCHOOL ACADEMY
(A MICHIGAN PUBLIC SCHOOL ACADEMY)
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Activities Net (Expenses) Revenues and Changes in Net Assets</u>
Governmental Activities			
Instruction	\$ 644,507	\$ 133,634	\$ (510,873)
Supporting services:			
General administration services	106,512	-	(106,512)
School administration	135,045	-	(135,045)
Business support services	344,556	-	(344,556)
Operations and maintenance	336,843	-	(336,843)
Unallocated depreciation	9,053	-	(9,053)
Total governmental activities	<u>\$ 1,576,516</u>	<u>\$ 133,634</u>	<u>(1,442,882)</u>
General revenues:			
State School Aid - Unrestricted			1,439,729
Miscellaneous income			13,744
Total general revenues			<u>1,453,473</u>
Change in net assets			10,591
Net assets - July 1, 2007			<u>131,880</u>
Net assets - June 30, 2008			<u>\$ 142,471</u>

See accompanying notes to financial statements.

NSOROMA INSTITUTE PUBLIC SCHOOL ACADEMY
(A MICHIGAN PUBLIC SCHOOL ACADEMY)
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 42,801
State Aid receivable	261,887
Other receivable	1,065
Prepaid expenses	<u>2,539</u>
Total assets	<u><u>\$ 308,292</u></u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 23,554
Purchased services payable	78,222
Accrued management fees	20,471
Oversight fee payable	12,124
Loan payable	<u>45,454</u>
Total liabilities	<u>179,825</u>
Fund Balance	
Unreserved	<u>128,467</u>
Total fund balance	<u>128,467</u>
Total liabilities and fund balance	<u><u>\$ 308,292</u></u>

See accompanying notes to financial statements.

NSOROMA INSTITUTE PUBLIC SCHOOL ACADEMY
(A MICHIGAN PUBLIC SCHOOL ACADEMY)
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total Fund Balances - Governmental Funds	\$ 128,467
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Amounts reported for governmental activities in the Statement
of Net Assets are different because:

Capital Assets used in governmental activities are not
financial resources and, therefore, not reported as assets
in governmental funds

Cost of capital assets	\$ 111,789	
Accumulated depreciation	<u>(97,785)</u>	<u>14,004</u>
Total net assets - governmental activities		<u>\$ 142,471</u>

See accompanying notes to financial statements.

NSOROMA INSTITUTE PUBLIC SCHOOL ACADEMY
(A MICHIGAN PUBLIC SCHOOL ACADEMY)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2008

	<u>General Fund</u>
REVENUE	
Local sources	\$ 13,744
State sources	1,439,729
Federal sources	<u>133,634</u>
Total revenue	<u>1,587,107</u>
EXPENSES	
Instruction:	
Basic programs	610,236
Added needs	<u>34,271</u>
Total instructional	<u>644,507</u>
Support services:	
General administration	106,512
School administration	135,045
Business services	346,051
Operation and maintenance	<u>336,843</u>
Total support services	<u>924,451</u>
Total expenditures	1,568,958
Excess of revenues over expenditures	18,149
Fund Balance, July 1, 2007	<u>110,318</u>
Fund Balance, June 30, 2008	<u><u>\$ 128,467</u></u>

See accompanying notes to financial statements.

NSOROMA INSTITUTE PUBLIC SCHOOL ACADEMY
(A MICHIGAN PUBLIC SCHOOL ACADEMY)
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

Total Net Changes in Fund Balances - Governmental Funds	\$	18,149
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

Depreciation expense		(9,053)
Capital Outlay		<u>1,495</u>
Change In Net Assets of Governmental Activities	\$	<u><u>10,591</u></u>

See accompanying notes to financial statements.

NSOROMA INSTITUTE PUBLIC SCHOOL ACADEMY
(A MICHIGAN PUBLIC SCHOOL ACADEMY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

Note 1 – Summary of Significant Accounting Policies

Organization

Nsoroma Institute Public School Academy (the Academy) is an African centered chartered school. One of the goals of the culture-based charter school is to provide a learning environment that encourages academic excellence and social responsibility. The school is chartered through Oakland University.

The Michigan School Code of 1976, as amended by act No. 416 of the Public Acts of 1994, Part 6B, provides for Michigan Public Schools to be authorized agents for public school academies. Pursuant to the School Code, Oakland University authorized a charter to the Academy in 1997. The Academy is organized and administered by a Board of Directors in compliance with the school code provisions.

District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Academy. No interfund activities are included in these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Academy did not have any such business-type activities during the current audit period. All the Academy's district-wide activities are considered governmental activities. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational requirements of a particular function. Taxes and other items not properly included among program revenue are reported instead as general revenue. The Academy has only state-aid, grants and contributions revenues.

Ordinarily, separate financial statements are provided for governmental funds and fiduciary funds, although the fiduciary funds are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The Academy does not have any such fiduciary funds.

NSOROMA INSTITUTE PUBLIC SCHOOL ACADEMY
(A MICHIGAN PUBLIC SCHOOL ACADEMY)
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

(Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-Wide Statements

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State Aid.

Fund Financial Statements

Governmental fund financial statements of the Academy are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as required under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Academy.

In the case of the Academy, the State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources.

NSOROMA INSTITUTE PUBLIC SCHOOL ACADEMY
(A MICHIGAN PUBLIC SCHOOL ACADEMY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)

Fund Financial Statements (Continued)

Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenue in accordance with state law.

The Academy also received revenue from the State to administer certain categorical educational programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expected to be expended by the close of the fiscal year, are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

The Academy reports the following major governmental fund:

General Fund

The General Fund is used to record the general operations of the Academy pertaining to education. It includes the current operating expenditures and revenue received from the State of Michigan for pupil membership. Included are all transactions related to the approved current operating budget.

Assets, Liabilities and Net Assets

Cash and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of twelve months or less when acquired.

The Academy did not hold any investments during the audit period.

Receivables

Receivables are shown net of any allowance for any uncollectible accounts. The Academy considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

NSOROMA INSTITUTE PUBLIC SCHOOL ACADEMY
(A MICHIGAN PUBLIC SCHOOL ACADEMY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable government column in the government-wide financial statements. The Academy's capital assets consist of furniture and equipment, including computers and related accessories. Capital assets are defined by the government as assets with an initial individual cost of \$1,000 or more and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend the asset life are not capitalized. The Academy does not have any infrastructure-type assets.

All capital assets are depreciated using the straight-line method over five – seven years.

Compensated Absences

The liability for compensated absences, if any, would be reported in the district-wide statements and consist of earned but unused accumulated vacation and sick leave benefits. The liability for these amounts, if any, would be reported in governmental funds as it becomes due for payment. The Academy does not have any liability for compensated absences.

Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation, or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The Academy does not have any fund balance with such designations.

Comparative Data

Comparative data is not included in the Academy's financial statements.

NSOROMA INSTITUTE PUBLIC SCHOOL ACADEMY
(A MICHIGAN PUBLIC SCHOOL ACADEMY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)

Use of Estimates

The presentation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statement, and the reported revenues and expenses during the reporting period. Actual results could differ from these estimates.

Note 2 – Stewardship, Compliance and Accountability

The Academy formally adopted General Fund by function for the fiscal year ended June 30, 2008. Expenditures at this level in excess of amounts budgeted are a violation of Michigan law. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. No encumbrances were outstanding in the General Fund at June 30, 2008. During the current year, management amended the budget as required by State law.

The statement of revenues, expenditures and changes in fund balances of the governmental fund is presented in conformity with generally accepted accounting principles.

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and State law for the General and all Special Revenue Funds. The Academy is legally subject to the budgetary control requirements of the State of Michigan P.A.621 of 1978 (the Uniform Budgetary Act).

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body is the function level. State law requires the School District to have its budget in place by July 1.

NSOROMA INSTITUTE PUBLIC SCHOOL ACADEMY
(A MICHIGAN PUBLIC SCHOOL ACADEMY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)

Budgetary Information (Cont'd)

The following is a summary of the requirements of the Act:

1. Budgets must be adopted for the General Fund, Special Revenue Funds, and Debt Service Funds.
2. The budgets must be balanced
3. The budgets must be amended when necessary.
4. Public hearings must be held before budget adoptions.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures must be authorized by a budget before being incurred.

The budget was amended to reduce revenues and expenditures in the General Fund by \$377,667 and \$191,972 respectively.

In the Required Supplemental Information portion of the financial statements, the Academy's actual revenue and expenditures are compared to the budgeted revenues and expenditures.

NSOROMA INSTITUTE PUBLIC SCHOOL ACADEMY
(A MICHIGAN PUBLIC SCHOOL ACADEMY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)

Note 3 – Deposits and Investments

State statutes (Michigan Compiled Laws, Section 129.91) authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Academy is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rate prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investments vehicles. The Academy's deposits are in accordance with the statutory authority.

The Academy has designated First Independence Bank for the deposit of its funds.

The Academy's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk and Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned. The Academy's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level are used for its deposits. As of June 30, 2008 the Academy does not have any funds on deposit above the FDIC insurance level. Even so, the Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC Insurance, it is impractical to insure all bank deposits. As a result, the Academy evaluates each financial institution it deposits funds with and assess the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the even of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Academy does not have investments with custodial credit risk.

NSOROMA INSTITUTE PUBLIC SCHOOL ACADEMY
(A MICHIGAN PUBLIC SCHOOL ACADEMY)
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

(Continued)

Note 4 – Capital Assets

The basis of valuation of the Academy's capital assets is cost.

	Beginning Balance <u>July 1, 2007</u>	<u>Additions</u>	<u>Disposals</u>	Ending Balance <u>June 30, 2008</u>
Equipment and Furniture	\$ 110,295	\$ 1,495	\$ -	\$ 111,790
Accumulated Depreciation	(88,733)	(9,053)	-	(97,786)
Net Capital Assets	<u>\$ 21,562</u>	<u>\$ (7,558)</u>	<u>\$ -</u>	<u>\$ 14,004</u>

Depreciation was not allocated to specific activities of the Academy.

Note 5 - Loan Payable

Loan payable represents the outstanding balance from the proceeds of a \$250,000 note payable to First Independence Bank. Interest on the loan is fixed at 8.25% per annum. The loan matures on August 30, 2008 and is secured by future State Aid payments.

Note 6 – Purchased Services Payable

Purchased services payable represents amount due to Blackstar Educational Management Co. for the reimbursement of costs incurred during the operations of the Academy.

Note 7 – Defined Benefit Pension and Post Employment Benefits

The Academy contracted with the Blackstar Educational Management Co. to provide all staffing personnel during the year under audit. Consequently, all staffing cost is treated as purchased services in these financial statements.

The Academy has no obligation to fund the Michigan Public School Employees Retirement System for the year 2008.

NSOROMA INSTITUTE PUBLIC SCHOOL ACADEMY
(A MICHIGAN PUBLIC SCHOOL ACADEMY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)

Note 8 – Risk Management

The Academy is exposed to various risk loss related torts; theft of, damage to, and destruction of assets; errors and omissions; injuries of employees' and natural disasters. To minimize the risk, the Academy carries commercial insurance.

Note 9 – Management Fees

On August 7, 1997, the Board of Directors voted to approve a management agreement with Blackstar Educational Management Co. (BEM), a Michigan Corporation, for the management and operation of the Academy. BEM is responsible and accountable to the Board of Directors of the Academy, for the administration, operation and performance of the Academy. The management contract automatically renews annually.

BEM is responsible for the management, administration, operation and education performance of the Academy expressly limited by the agreed upon budget. The original contract called for the Academy to pay BEM 10% of the Academy's net state aid revenue plus reimbursement for other related costs and fees incurred in the management of the Academy. During the audit period, the Academy reduced the amount paid to BEM to 9%. All Academy personnel are paid by the management company with rights to subcontract any or all aspects of the services BEM agrees to provide the Academy. The total management fees and other related costs paid by the Academy for the year ended June 30, 2008 was \$138,873.

Note 10 – Oversight Fees

Oakland University is the fiscal agent for the Academy and is responsible for overseeing its compliance with the charter contract and all applicable laws. The Academy paid Oakland University three-percent (3%) of school State Aid (excluding the At Risk portion) as administrative fees. Total administrative fees paid during the year ended June 30, 2008 were \$40,156

Note 11 –Related Party Transactions

The Director and Chief Administrative officer of the Academy is also the Chief Executive Officer of Blackstar Educational Management Company. In addition to the management fees, the Academy reimburses BEM for all salary and related costs of the Director.

NSOROMA INSTITUTE PUBLIC SCHOOL ACADEMY
(A MICHIGAN PUBLIC SCHOOL ACADEMY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)

Note 12 – A-133 Requirement

The Academy received \$133,634 in federal funds for the year ended June 30, 2008, which is below the \$500,000 threshold required for the school to have an audit performed in accordance with Circular OMB A-133 guidelines. Therefore the school was not required to have an A-133 audit performed for the year ended June 30, 2008.

Note 13 – Prior Period Adjustment

During the fiscal year ended June 30, 2008, the Michigan Department of Education deducted \$43,264 from the Academy for non-compliance with the minimum 75% attendance requirement for the 2006-2007 state school aid. The Academy also received a prior year adjustment of \$184 for Special Ed Headlee Obligation

These adjustments resulted in the restatement of the following balances:

	<u>State Aid</u> <u>Receivable</u>	<u>Change in</u> <u>Net Assets</u>	<u>Net Assets</u>
June 30, 2007, as Previously Reported	\$ 346,400	\$ (107,261)	\$ 174,960
Effect of Correction	<u>(43,080)</u>	<u>(43,080)</u>	<u>(43,080)</u>
Balances as Restated	<u>\$ 303,320</u>	<u>\$ (150,341)</u>	<u>\$ 131,880</u>

Note 14 – Subsequent Events

Enrollment

Effective September 1, 2008 the Academy moved its facility from the City of Southfield to the City of Detroit. As a result, the unofficial enrollment count increased from 165 in September 2007 to 197 in September 2008.

NSOROMA INSTITUTE PUBLIC SCHOOL ACADEMY
(A MICHIGAN PUBLIC SCHOOL ACADEMY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)

Note 14 – Subsequent Events (Cont'd)

Commitments

Subsequent to June 30, 2008, the Academy entered into lease agreements for a building and copier. The minimum annual lease payments on these leases are as follows:

<u>Year</u>	<u>Amount</u>
2009	\$ 135,347
2010	147,347
2011	14,347
2012	558
	<u>\$ 297,599</u>

GLEN OLIVACHÉ, CPA, P.C.

220 Bagley, Suite 400
Detroit, MI 48226

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Nsoroma Institute Public School Academy
Detroit, Michigan

We have audited the financial statements of the governmental activities and each major fund of Nsoroma Institute Public School Academy as of and for the year ended June 30, 2008, which collectively comprise the Nsoroma Institute Public School Academy's basic financial statements and have issued our report thereon dated October 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financing Reporting

In planning and performing our audit, we considered the Nsoroma Institute Public School Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Nsoroma Institute Public School Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Nsoroma Institute Public School Academy's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Nsoroma Institute Public School Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Nsoroma Institute Public School Academy's financial statements that is more than inconsequential will not be prevented or detected by the Nsoroma Institute Public School Academy's internal control over financial reporting. We consider the deficiencies listed below to be significant deficiencies in internal control over financial reporting.

Report on Compliance and on Internal Control over Financial Reporting
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Cont'd)

1. Accounts Payable

The Academy's accounts payable aging report did not agree with the general ledger balance at June 30, 2008. It appears that certain transactions posted through the accounts payable module did not roll up to the general ledger and periodic reconciliation of the reports was not performed to catch and correct the problem. Incorrect reporting of accounts payables does not provide management with the best tools for making decisions on managing cash flows and paying vendors. This issue was also identified and reported to management in our management letter dated October 27, 2007.

We recommend that the Academy implement procedures to ensure that the accounts payable aging report is reconciled to the general ledger report on a regular basis.

Management's Response

The Academy agrees with the recommendation by the Auditors. As stated last year this is a system glitch in the payable module that we attempted to repair by using the software's technical support. We were unsuccessful in fixing the system glitch and just did not effectively reconcile to the ledger by year-end. As a result management will add some addition reconciliation steps (reconciling monthly) to resolved this finding in the future. Also, management will discuss the feasibility of upgrading the software in order to fix the glitch.

2. Audit Adjustments

Several adjustments of the Academy's financial statements were proposed by the auditors and corrected. Most of the adjustments were the results of improper procedures to recognize and record transactions in the proper period.

We recommend that the Academy implement procedures to ensure that transactions are recorded in the correct accounting period.

Management Response

The Academy agrees with the recommendation by the Auditors. This finding directly correlates with a few invoices (audit engagement letter, building lease expense and legal fees) that were processed in a rush towards the end of the year. In processing these invoices too fast they were posted in the wrong fiscal year, thus causing the finding (audit adjustments).

Report on Compliance and on Internal Control over Financial Reporting
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards
(Continued)

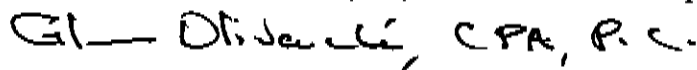
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Nsoroma Institute Public School Academy's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nsoroma Institute Public School Academy's financial statements is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain matters that we reported to management of Nsoroma Institute Public School Academy in a separate letter dated October 30, 2008.

This report is intended solely for the information and use of the Board of Directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

 G. L. D. Jackson, CPA, P.C.

Detroit, Michigan
October 30, 2008

REQUIRED SUPPLEMENTAL INFORMATION

NSOROMA INSTITUTE PUBLIC SCHOOL ACADEMY
A MICHIGAN PUBLIC SCHOOL ACADEMY
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(GAAP Basis)</u>	<u>Favorable (Unfavorable)</u>
Revenue				
Local sources	\$ 20,000	\$ 23,000	\$ 13,744	\$ (9,256)
State sources	1,865,633	1,439,821	1,439,729	(92)
Federal sources	91,920	137,065	133,634	(3,431)
Total revenues	<u>1,977,553</u>	<u>1,599,886</u>	<u>1,587,107</u>	<u>(12,779)</u>
Expenditures				
Current				
Instructional services	1,146,279	774,328	644,507	129,821
Supporting services				
General administration	80,169	100,036	106,512	(6,476)
School administration	190,563	151,678	135,045	16,633
Business support services	257,062	351,765	346,051	5,714
Operation and maintenance	288,480	392,774	336,843	55,931
Total support services	<u>816,274</u>	<u>996,253</u>	<u>924,451</u>	<u>71,802</u>
Total expenditures	1,962,553	1,770,581	1,568,958	201,623
Excess (deficiency) of revenues over (under) expenditures	15,000	(170,695)	18,149	188,844
Fund Balance - July 1, 2007	<u>110,318</u>	<u>110,318</u>	<u>110,318</u>	<u>-</u>
Fund Balance - June 30, 2008	<u>\$ 125,318</u>	<u>\$ (60,377)</u>	<u>\$ 128,467</u>	<u>\$ 188,844</u>

See accompanying notes to financial statements.

GLEN OLIVACHÉ, CPA, P.C.

220 Bagley Avenue, Suite 400
Detroit, Michigan 48226

MANAGEMENT LETTER

October 30, 2008

To the Board of Directors of
Nsoroma Institute Public School Academy
Detroit, Michigan

We have audited the financial statements of Nsoroma Institute Public School Academy (the Academy) for the year ended June 30, 2008, and have issued our report thereon dated October 30, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated April 16, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Academy. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatements, we performed tests of the Academy's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Academy are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Academy during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of our audit procedures were corrected by management.

1. State Aid Receivable and fund balance were decreased by \$43,080 to record a prior period adjustment that resulted from the Academy's non-compliance with the minimum 75% attendance requirement for the 2006-2007 state school aid.
2. Accounts payable and administrative expenses were increased by \$18,913 for services provided for the year ended June 30, 2008.
3. Accounts payable and building expenses were reduced by \$50,000 to properly account for expenses related to the 2007-2008 school year.
4. Increase in purchased services and accounts payable were increased by \$ 11,215 to correct posting error.
5. Depreciation expense and accumulated depreciation were increased by \$9,053.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 30, 2008.

Other Audit Findings or Issues

Findings

1. Accounts Payable

The Academy's accounts payable aging report did not agree with the general ledger balance at June 30, 2008. It appears that certain transactions posted through the accounts payable module did not roll up to the general ledger and periodic reconciliation of the reports was not performed to catch and correct the problem. Incorrect reporting of accounts payables does not provide management with the best tools for making decisions on managing cash flows and paying vendors. This issue was also identified and reported to management in our management letter dated October 27, 2007.

We recommend that the Academy implement procedures to ensure that the accounts payable aging report is reconciled to the general ledger report on a regular basis.

Management's Response

The Academy agrees with the recommendation by the Auditors. As stated last year this is a system glitch in the payable module that we attempted to repair by using the software's technical support. We were unsuccessful in fixing the system glitch and just did not effectively reconcile to the ledger by year-end. As a result management will add some addition reconciliation steps (reconciling monthly) to resolved this finding in the future. Also, management will discuss the feasibility of upgrading the software in order to fix the glitch.

2. Audit Adjustments

Several adjustments of the Academy's financial statements were proposed by the auditors and corrected. Most of the adjustments were the results of improper procedures to recognize and record transactions in the proper period.

We recommend that the Academy implement procedures to ensure that transactions are recorded in the correct accounting period.

Management's Response

The Academy agrees with the recommendation by the Auditors. This finding directly correlates with a few invoices (audit engagement letter, building lease expense and legal fees) that were processed in a rush towards the end of the year. In processing these invoices too fast they were posted in the wrong fiscal year, thus causing the finding (audit adjustments).

3. Budget

The Academy's final budget for the year ended June 30, 2008 contained several errors that significantly overstated total expenditures. As a result the variance between total budgeted expenditures and actual expenditures was approximately \$209,000. The impact of these errors on management's decisions is unknown because the budget was amended and approved close to June 30, 2008.

We recommend that the Academy implement procedures that all budgets are reviewed for accuracy prior to being approved.

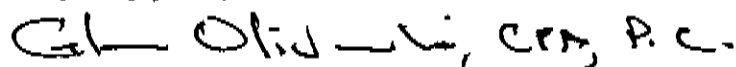
Management's Response

The Academy agrees with the recommendation by the Auditors. The end result here is that the accounting staff overstated the expenditures during our budget revision meeting in early June 2008. During the budget revision process we projected expenditures in the purchased services line item that were already included in the original budget, thus causing this overstatement.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of the Academy and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Glen Olivache, CPA, P.C.